

NZCCSS Guide to Government Parliamentary Financial Cycle



The parliamentary financial cycle begins in July each year.

In total a full parliamentary financial cycle takes about 18 months to 2 years, with stages of the cycle overlapping, running from one financial year to the next. The financial cycle can be broken down into 3 stages:

- Approving future spending
- Watching current spending
- Reviewing past spending

Future Spending

Future government spending is covered by what is referred to as **The Budget**.

The Budget is one of the most publicised stages of the parliamentary financial cycle, with “Budget Day” well covered by the media. However, the process is a lot more extensive than some may realise and can be broken down into 4 phases:

Strategic phase

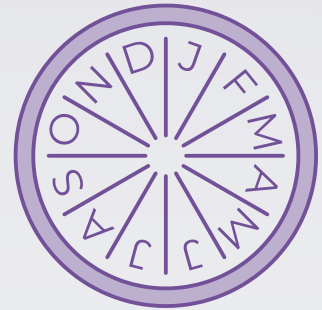
June-December

- Strategy for the budget is developed – this includes priorities and targets for spending, where revenue will come from, what the fiscal surplus is projected to be and how spending and revenue will impact public debt
- Decisions made during this phase are recorded in the Government’s Budget Policy Statement (BPS) which is usually presented to the House around November by the Minister of Finance.
- The BPS sets out the priorities for government spending (health, education, roading etc.)
- BPS is required to be tabled in Parliament by the 31st March

Decision phase

January-April

- Early in the year the BPS is scrutinised by the Finance and Expenditure Committee (FEC).
 - Scrutiny takes place in a public hearing (these are televised and available to watch online) in a room at the beehive parliament which is usually attended by the Minister of Finance and secretary of Treasury.
 - The Minister of Finance will be asked questions about both current spending and future spending.
 - The FEC writes up the findings from this scrutiny process in a report which is presented to the House on a Wednesday.
- Agencies prepare proposals on behalf of their ministers.
 - Proposals are put forward for consideration by Treasury.
 - Treasury considers these proposals and make recommendations on which proposals should be supported
 - Treasury’s recommendations are considered by Budget ministers including the Prime Minister, Minister of Finance and Associate Ministers of Finance who create a Budget package to go to Cabinet for approval.



Parliamentary Financial Cycle



Budget production phase

Once Cabinet has made decisions on the Budget package, Treasury and agencies begin to prepare documents to be presented on Budget Day.

Legislative phase

Final stage

This phase involves obtaining Parliamentary support for the Government's Budget package and examination of the Estimates for each Vote by the appointed Select Committee

The Government's Budget package consists of:

- The Appropriation (Estimates) Bill
- Information supporting the estimates
 - Series of documents, usually 10, which support each of the 10 sectors within the budget.

The Appropriation (Estimates Bill)

Each year the Government of the day puts their expenditure plans for the upcoming financial year (starting in July) in a proposal. This is presented to Parliament in the form of the **Appropriation (Estimates) Bill**, the first appropriation bill of the financial year.

This is the legislation through which the Budget is passed. The Bill must pass through all stages of the legislative process that any Bill passes with the exception of scrutiny.

However, the stages vary a little compared to other Bills:

First Reading – this is done without debate and is not voted on by the House.

Second Reading – Once the first reading is complete the Bill moves to the second reading.

- The Minister of Finance does a speech about the Budget called a Budget speech or Budget Statement. This speech has no time limit unlike with other Bills.
- Next, the Leader of the Opposition is given 20 minutes to speak. Generally, they have not had much time to look at the Budget prior to the speech but they review it while the Minister of Finance is speaking and also discuss what their priorities would be if in government.
- The Prime Minister then speaks, followed by the Deputy Prime Minister (each with 20-minute limits) and each of the other party leaders (who usually have 10 minutes each).
- After speeches are adjourned the House moves onto debating the Budget Contingent Legislation which includes things such as changes in tax rates.

Budget Day usually starts on a Thursday, continuing under urgency into Thursday evening, Friday and sometimes Saturday.

Parliamentary Financial Cycle



Information supporting the estimates

The 10 sectors which make up the budget are split into the Budget Votes (48 in total as of 2024) for example Vote Justice, Vote Police, Vote Health etc. These votes specify the maximum expenditure to be approved, what the money will be used for and when the appropriation ends (usually after 1 year). These Votes are allocated by the FEC to other Select Committees to scrutinise.

All Select Committees are provided with a Standard Estimates Questionnaire which includes a series of 14 or 15 questions from the FEC to ask the Ministers as a base level of scrutiny.

Select Committees complete hearings of 1-1 ½ hours where they invite the relevant Minister to answer questions about how the money allocated to that Vote will be spent. The Minister may also bring support people and the Chief Executive from the department who know the proposals to help answer questions at the hearing.

Additionally, the Select Committee receive a briefing from the Office of the Auditor General who visit departments and agencies to assess how their money is being spent and how spending is monitored.

Select Committees have 10 weeks to scrutinise the Votes after which they must produce a report to go to the House for debate.

Committee of the Whole House

Once reports from Select Committees have been received by the House they are debated by the Whole House.

Third Reading

This third and final reading is also done without debate. If the majority of MPs vote in support of the bill it passes.

Royal Assent

Once passed by the House, the bill becomes an Act and anything spent outside of what is approved in this is outside the law.

The Appropriation (Estimates) Bill must be passed within four months of Budget Day but is generally not passed until several weeks into the financial year. This leaves a period of 1-2 months of the new financial year where the Government has not yet been approved to spend the money allocated in their Budget but must continue to operate. To cover this period there is an interim authorisation of spending referred to as an Imprest Supply Act.

Imprest Supply Acts

An Imprest Supply Act is passed before the new financial year begins, setting a financial limit to allow the Government to continue spending money while the Budget is being considered. Any money spent during this time must come out of the same pool of money as the Budget itself – it is not additional expenditure. Once the Appropriation (Estimates) Bill is assented to an Act, the Imprest Supply Act is repealed as it is no longer required.

There are usually at least 2 or more Imprest Supply Acts in each financial year. Further Imprest Supply Acts may be needed if the Budget considerations take longer than expected.



Additionally, another Imprest Supply Act is usually enacted around the same time as the Appropriation (Estimates) Act to cover expenditure which was not included when the Budget estimates were finalised. This remains enforce until the end of the financial year as a cover for any unexpected expenditure which might arise. At which point the spending can be retrospectively authorised by the House under the Appropriation (Supplementary Estimates) Act.

All supplementary spending must be considered by the FEC who meet with Treasury and relevant ministers to discuss the expenditure.

If spending under an Imprest Supply Act occurs too late in a financial year, it's unable to be authorised by the Appropriation (Supplementary Estimates) Act and instead becomes "unappropriated expenditure" on 30th June. This spending then has to be authorised in a third appropriation act in the next financial year (i.e. after 1st July), the Appropriation (Confirmation and Validation) Act.

Additionally, funding can be authorised by the Minister of Finance in the final 3 months of a financial year and money can be spent outside of that in appropriations in emergencies with both situations confirmed through the Appropriation (Confirmation and Validation) Act in the subsequent financial year.

Current Spending

Throughout the year the Government is always reviewing spending. Treasury produces a report at the end of each month and again at the end of the financial year. These reports are published and presented to the House where members can scrutinise them and ask questions of the Minister of Finance.

Additionally, the Reserve Bank publishes Financial Stability Reports every 6 months and there is a Half Year Economic and Fiscal Update (HYEFU). These reports can be found on the [Budget website](#).

Past Spending

Review of past spending is undertaken once a financial year is complete.

Once Select Committees have completed the review of the Budget, they move onto scrutinising Annual Reviews of the previous financial year. All agencies are required by law to provide an Annual Review at the end of the financial year. This review is provided by way of a report that looks into whether the money allocated was spent and what it was spent on.

The FEC allocates Annual Reviews to Select Committees to scrutinise and aims to line these up so that each Select Committee is reviewing the same areas which they scrutinised in the Budget. This scrutiny is very similar as with the Budget review, with Select Committees holding public hearings of 1-1 ½ hours.

